DOCUMENT RESUME

ED 295 768 RC 016 609

AUTHOR Devlin, J. Stuart; Carlin, William B.
TITLE Entrepreneurship and Economic Development: The Navajo Model.
PUB DATE [88]
NOTE 17p.
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *American Indian Education; *Business Administration Education; Economic Development; Entrepreneurship; High Schools; High School Seniors; Program Descriptions
IDENTIFIERS *Navajo (Nation); New Mexico State University; University of Arizona; University of New Mexico

ABSTRACT

The Navajo Nation, in the summer of 1987, sponsored the Special Pre-Business Introduction for Navajo Students (SPINS) program through the business colleges at three universities: (1) University of Arizona; (2) University of New Mexico; and (3) New Mexico State University. SPINS provided entrepreneurial training, through entrepreneurship workshops, for high school seniors in an attempt to stimulate home-grown business and reverse economic stagnation in the area. Reflecting the matriarchal Navajo society, a majority of the students were female. There was a broad diversity in the cultural, socio-economic, and preparatory backgrounds of the students, but all were able to master the materials easily. The curriculum stressed the functional areas of business through lecture, projects, and field trips to actual businesses. The hands-on program emphasized computer simulation exercises that gave students the opportunity to make marketing, management, and financial decisions for a firm and then see how these decisions affected the firm in a competitive market. Although initially reluctant, students later asked to make numerous operating decisions. Another program involved students in developing a rudimentary business plan for a new business on the reservation. Students reported the experience to be valuable. The program provided high school enrichment, encouragement for students to pursue college educations, and tribal economic development through increased business expertise. (DP)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED295768

J. STUART DEVLIN

CENTER FOR BUSINESS SERVICES
COLLEGE OF BUSINESS ADMINISTRATION & ECONOMICS
BOX 3CR - NEW MEXICO STATE UNIVERSITY
LAS CRUCES, NEW MEXICO 88003

(505) 646-1434 (office)
(505) 522-0508 (home)

WILLIAM B. CARLIN (student)

DEPARTMENT OF MANAGEMENT
COLLEGE OF BUSINESS ADMINISTRATION & ECONOMICS
BOX 3DJ - NEW MEXICO UNIVERSITY
LAS CRUCES, NEW MEXICO 88003

(505) 646-1201 (office)
(505) 524-3052 (home)

ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT: THE NAVAJO MODEL

ABSTRACT

This paper describes a new program to facilitate entrepreneurial development and enhance the future economic growth and diversification of the Navajo Nation through a partnership with three universities. Perceived success of the initial effort has implications for other ethnic groups and minorities.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

William B. Carlin

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

RC016609

ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT: THE NAVAJO MODEL

J. STUART DEVLIN, NEW MEXICO STATE UNIVERSITY
WILLIAM B. CARLIN (STUDENT), NEW MEXICO STATE UNIVERSITY

ABSTRACT

This paper describes a new program to facilitate entrepreneurial development and enhance the future economic growth and diversification of the Navajo Nation through a partnership with three universities. Perceived success of the initial effort has implications for other ethnic groups and minorities.

INTRODUCTION

This paper is a description of a new program designed to facilitate entrepreneurial development and to enhance the future economic growth and diversification of the Navajo Nation through a partnership with three universities. Perceived success of the initial effort has implications for other ethnic groups and minorities as to how entrepreneurship may be developed in high school seniors who have potential for success in college business and entrepreneurship programs.

BACKGROUND

The Navajo Nation is one the largest Indian reservations in the United States and is located in portions of Arizona, New Mexico, and Utah. In terms of population, it is the largest of the Native American tribes. The Navajo lands include 15 million acres of arid and semi-arid desert interspersed with alluvial valleys, mesas, and low mountains. It is well endowed in natural resources with coal, urnanium, oil, and natural gas being the primary materials extracted. The economy of the reservation is basically agrarian with livestock (sheep and cattle), irrigated field crops, limited timber, and subsistance gardening as the major activities.

The Nation, however, faces major economic problems. The per capita income is low with 40 percent of the people living below the U.S. poverty level. Unemployment is high and over half of those seeking employment must leave the reservation to look for work.[1] The extractive industries are almost entirely operated by non-Navajo firms with royalty/lease revenues accruing to the Tribal Government. The economic state of the Nation necessitates a redistribution of financial resources. (A major portion of the funds received by the Navajo Nation goes to support its educational needs.) It is surprising to note that 84 percent of all wage income is provided by Tribal Government employment.[2]

The isolated existence of many Navajo people and the unique cultural distinctness preserved by the Nation has contributed to the maintenance of a trading-post society/economy despite the fact that urban areas (e.g., Shiprock, New Mexico, and Window Rock and Chinle, Arizona) are on or near the reservation. This trend, along with the economic cycles of the agrarian economy, has led many of the Navajos to become tied to the extension of credit by the trading post and other merchant firms. Thus, the existing environment and culture restricts mobility and the opportunity to develop entreprenuerally on the reservation. In addition, with a birth rate growing at a rate of about 2.7 percent per year, the Navajo Nation thus finds itself presented with a crisis of growing proportions. According to Bureau of Indian Affairs estimates, the number of Navajos between the ages of 15 and 19 is approximately 23,136 or 15.3 percent of the total population.[3] For the Navajo, this points to a future of increasing unemployment and hardship on the reservation.

Education for Entrepreneurship

The Navajo Tribal leadership has recognized economic problems of unemployment and other under-utilization of human resources. The Navajo Nation's educational policy statment of 1984 notes that "the human resource of the Navajo Nation is its most valuable resource."[4] It also indicates that the policy of the Nation is to strive to improve not only the employment opportunities for Navajo individuals but also the "economic and other developmental needs of the Navajo Nation as well...."

In response to this policy thrust over the last decade, the Department of Higher Education, Division of Education, of the tribal government had, in addition to providing post-secondary financial assistance, experimented with a high school enrichment program. This consisted of a two-week introduction to college life on the campus of New Mexico Institute of Technology and had engineering and technical occupational opportunity as its focus. The long-run result of this endeavor was a substantial increase from approximately 30 to 600 Navajo students continuing to college and majoring in technical fields. However, as there were virtually no job opportunities for the new engineers, they were forced to leave the reservation to find employment. Thus, the Nation was unwittingly forcing individuals to escape the reservation without actually improving reservation life itself.

In July of 1984, the University of Arizona hosted its first session of the nationally recognized LEAD (Leadership, Education, And Development) program. LEAD assembled outstanding students from all minorities and across the nation on various campuses to expose them to the United States business environment.

The participation of Navajo students in this program apparently planted a germinal idea in the Navajo Department of Higher Education. In October 1986, the Department called a meeting in Tuscon of representatives of the business colleges from the University of Arizona, the University of New Mexico, and New Mexico State University. At that meeting, Richard Mike, who was then Director of the Department of Higher Education, outlined a program of long-term economic development for the Nation. The proposal had the building of a resource pool of entreprenuerial business skills in the young people of the Nation as its main theme.

The first step in developing the program was to encourage outstanding students to continue their post-secondary education in the business disciplines. Upon their return to the reservation, they would not only fill identified needs in the tribal organization structure, but also lead the way in the development of new business. It also focused on the conversion of ownership and management of many existing, but often failing, non-Navajo firms to Navajo organizations and individuals. The vehicle for this encouragement would be an ongoing series of three-week "Introductions to Business" programs located on each of the three campuses. The programs were to be under the general coordination of the University of Arizona. The initial goal was to have 35 Navajo high school seniors participate at each of the three-week programs. This joint effort was officially announced by the Navajo Nation on January 21, 1987. While the individual programs varied somewhat among the universities, the overall theme was the development of portable skills which the students could bring back to the reservation. The

following description of the SPINS (Special Pre-Business Introduction for Navajo Students) at New Mexico State University is typical of the three.

SPINS at New Mexico State University

Participants for all programs were selected through the Navajo Department of Higher Education and the guidance counselors at high schools across the reservation. The target population in this case was the top five percent of high school students who would have completed their junior year just prior to the programs. When application materials were assembled at the University of Arizona, the students were divided into three groups of equal size and identical geographic distribution throughout the reservation. Thus, the groups were very similar from campus to campus.

Within the groups, however, there was a broad diversity in the cultural, socio-economic, and preparatory backgrounds of the students. The cultural and religious orientation varied from the very traditional Navajo to Roman Catholic and Mormon. While some of the students were not well dressed and did not display polished social skills, others reflected the mannerisms and fashions of their counterparts from upper middle class Anglo society. The majority of the students came from strong family units with active encouragement from the parents. A significant minority, however, came from multi-problem families at the poverty level of existence. And, as a reflection of the matriarchial society of the Navajo, the vast majority of the students were female. For example, New Mexico State University received only two male participants. The academic background varied from outstanding to marginal. Nevertheless, all of the students appeared to be exceedingly bright and proved able to master the materials easily.

The geographic dispersion of the students throughout the reservation made transportation logistics quite difficult. The University of New Mexico and New Mexico State University cooperated on their programs to minimize the transportation expense since those programs were run concurrently. The actual transportation was provided by the Navajo Transit System.

The students were housed in university residence halls and utilized university facilities as though they were college students. They were given much more extensive supervision and their time was highly structured.

The Navajo Tribe requested the focus of each program be upon entrepreneurship. In response, the SPINS program built a curriculum based on the functional areas of business (accounting, finance, economics, marketing, management, and business computer systems) within the entrepreneural framework. The curriculum for each functional area included one or more lectures, computer excercises relevent to the area, and one or more field trips to area businesses which would allow the practical application of the subject material. In all instances, an emphasis was placed on the development of concepts and skills which would be very applicable to the experiences of the students and stimulate ideas for future economic devlopment on the reservation.

Entrepreneurial issues and activities were used to tie together the academic materials presented with the functional areas. Several hours of classroom time were spent discussing entrepreneurial aspects of the firm. A local minority entrepreneur spent an evening with the students. She described the

actual efforts needed to get a new business established and running. Later, the students visited her high-tech firm and toured the manufacturing facilities.

Group exercises were used to enhance student mastery of the concepts. SPINS students were randomly divided into four teams. Each team became a "company" and the students selected corporate organizational structure and officers. Throughout the program, the company group functioned as a unit for various group activities. The first activity was participation in a computer-driven business simulation which was developed at New Mexico State University. This comprehensive simulation gave students the opportunity to make marketing, management, and financial decisions for a firm and then see how these decisions affected the firm in a competitive market. Although the students were somewhat reluctant to become involved at first, they later requested to be allowed to make as many operating decisions as possible. While college students normally make decisions for eight to 12 quarters, the SPINS participants made 22 decisions and begged for more.

The second group project was the development of a rudimentary business plan for the establishment of a hypothetical new business to be located on the reservation. The students were required to consider economic feasibility, organizational development, marketing strategies, and financial resources and budget requirements for their proposed project. A presentation of the plan was made the final week before a panel composed of university faculty and the president of a local bank. The panel chose a "winning" plan on the criteria of economic viability, quality of the analysis, and quality of the presentations which included charts, blueprints, and overhead transparencies.

This exercise provided a true measure of the short-term success of the program in the mastery of the concepts demonstrated by the students.

In addition to the team projects, each student was required to write their individual goals for the following time frames: (1) the three weeks of the program, (2) the next 12 months, (3) the next five years, and (4) their lifetimes. They were also required to prepare an essay in response to a list of questions submitted by Peter McDonald, Chairman of the Navajo Tribe. Chairman McDonald wanted the students to address certain problems facing the Navajo Nation.

The Entrepreneurship Curriculum

As noted earlier, the entrepreneurship theme was supported by a curriculum that stressed the functional areas of business through lecture, projects, field trips, application through computer simulation, and a variety of hands-on computer exercises. The time spent in the various activities included:

Faculty led lecture/discussion	44 hours
Group projects	38 hours
Structured computer time	20 hours
Number of field trips	17
Business simulation decisions	22 quarters

Brief summaries of each major element of the curriculum are presented below.

Accounting

The accounting lectures stressed the role of accounting in the firm. The course content included the basic concepts of double entry accounting and the development of financial statements as a measure of the performance of the firm. The accompanying computer exercises (created for the occasion) required the students to use Lotus 123, a popular spreadsheet program, and to

develop financial statements for a hypothetical business located on the reservation. Then, by the use of ratio analysis, the students examined how changes in transaction activities affected earnings and the performance of the company.

Finance

Finance concepts included the time value of money, capital budgeting, and the function of the financial markets. Exercises included the study of the financial section of the Wall Street Journal, and an investment analysis of selected stocks by use of the Wall Street Journal financials and library research in the standard indices such as Standard and Poor's.

Marketing

The marketing concept and consumer orientation of the business were the focus of this segment. Marketing research emphasized techniques of evaluating new products and services and the idea of finding niches in existing markets. Innovation and product differentiation were stressed as competitive strategies in existing markets. Field trips included a visit to La Mesilla to examine merchandising of products and services within a historical/tourist district, the Las Cruces Hilton, Flores de New Mexico (a commercial cut flower and plant producer), and the Mescalero Apache Reservation which is described below.

Management

Management topics were divided into three areas. The four functions of Planning, Organizing, Leading, and Controlling were first discussed. Human Resource Management in the multicultural setting was described in lecture and

applied in a retreat environment at a nearby mountain encampment. Finally, basic issues in Production Operation Management were discussed. These concepts were reinforced with a trip to the local L'Eggs plant and Indelmex (an affiliate of ITT located in Ciudad Juarez, Chihuahua, Mexico). Students also spent several hours using a new software package, Micromanaging, which teaches the use of computers in management decisions.

Economics

The presentation of economic theory centered upon supply and demand analysis, costs and revenue analysis, and the concepts of marginal cost and benefit. The presenter for this segment was able to integrate his dissertation research on the economic environment found within the Navajo Nation into this portion of the program. A supporting field trip was made to a local pecan farm. The students learned how the changing market conditions have recently impacted the pecan industry. This gave the students an opportunity to discuss the impact of supply and demand and the resulting management strategy options with the executive management of a large multinational agribusiness corporation.

Business Computer Systems

Lectures emphasized the role of the computer in the firm while lab time focused on the mastery of personal computer skills usefull in a business setting. The emphasis was upon each student working independently on a PC to gain a functional level of mastery of common business applications software. The students completed all written assignments using Wordstar, a popular word processing package. For quantitative assignments, the SPINS participants used Lotus 123, a spreadsheet package, to create financial statements,

perform time budgeting analysis, quantitative decision exercises and, then, create graphics to illustrate their work. A conscious effort was made to expose the students to popular and state of the art hardware and software used in the business environment. The support field trip for this segment included tours of mainframe machine rooms where the students were able to examine the internal workings of IBM, AMDAHL, DIGITAL, and CYBER mainframe computers and peripheral devices. Free lab time was available to the SPINS students on a 24-hour basis at the dormitory computer labs and the academic labs.

Field Trips

Of the 17 field trips taken by the SPINS participants, the two weekend trips deserve special comment. The first weekend was spent in the Sacramento Mountains in Southern New Mexico as the guests of the Mescalero Apache Nation who have a well-established reputation among Native Americans for their large and successful commercial enterprises. The purpose of the trip was to observe and explore the economic development projects on the Mescalero Reservation. On arrival at Mescalero, New Mexico, the Mescalero tribal comptroller spoke to the students of the history and process of economic development experienced by the Mescalero Tribe. Though time did not permit traveling to all of their operations, the students learned of the livestock, fee hunting and camping, health services, and skiing operations. Then, they toured the sawmill and logging operations and the Inn of the Mountain Gods. The Inn is one of New Mexico's most luxurious resorts and is owned and operated by the Mescalero.

The second major field trip was a visit to Cuidad Juarez. The trip had two

purposes: first, to expose the students to the culture and atmosphere of another country and, second, to expose the students to the Maquiladora -- a twin plant in-bond manufacturing concept -- and its potential for adaptation to the Navajo reservation. Preparations for the trip were made through lectures on operations management, international currency and exchange, and the Maquiladora concept itself. An NMSU Management faculty member who had provided consultation services to various Maquiladora operations spoke to the students of the difficulties and opportunities that exist in a cross-cultural setting. The El Paso Economic Development Council made a multimedia presentation on the economic benefits to the firms involved, Juarez, and El Paso/Southern New Mexico. With these ideas in mind, the students visited the IndelMex plant in Juarez. There the management team of the plant divided the delegation into small groups and spent the next two hours touring the plant which manufactures computer components and performs warranty repairs for their affiliate, ITT. The students were instructed on the manufacturing operations techniques of employee training, compensation management, and human relations used in the cross-cultural environment of Mexico. From IndelMex, SPINS toured the ProNaf Cultural Center of the Mexican Government and shopped in the traditional markets.

In addition to the long and intensive days of business curricula, the program participants schedule allowed opportunity for recreation and relaxation. The SPINS students took numerous recreational excursions to the nearby Organ Mountains, White Sands Missile Range test facilities, and local recreational sites. Social events included dinners, banquets, the theater, a trip to a local discoteque, shopping, swimming parties, two movies, and numerous picnics enroute to other destinations. While the motivation for the program

is an educational experience, every effort was made to see that this entreprenuerial "boot camp" was also a positive personal experience for the participants as well.

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The Navajo Tribe, in the summer of 1987, sponsored three special three-week programs of entreprenuerial enrichment for high school seniors through the business colleges at New Mexico State University, the University of New Mexico, and the University of Arizona. The purpose of the program was to foster future economic development on the Navajo reservation by encouraging talented Navajo students to continue to college and eventually return to start businesses on the reservation and participate in the management of tribal affairs.

Results of the three programs were very positive. The officials of the Higher Education Department of the Navajo Education Division are, at this writing, planning for the second year of entreprenuerial introduction. The students have evaluated the experience as very valuable and tribal leaders hope the "alumni" of the pilot year will assist in promoting the future programs.

One of the significant distinctions of the Navajo entrepreneurial development program was that it had only Navajo students participating. This provided focus which was directed to the economic development issues which are distinctive to the Navajo. The program was a blending of the need to address economic development matters along with the need to develop Navajo business expertise and entrepreneurial spirit.

An additional purpose of this paper was to encourage other groups to take a closer look at the Navajo model. While the actual application varied among the three programs on the university campuses, the underlying theme of entrepreneurship development as a factor in the future economic development of the Navajo Nation is consistant. In 1988 and beyond, the three universities will have their programs open to visitation.

Continued success of this venture is dependent upon three requirements: 1) the commitment of the Navajo Nation, 2) the cooperation and commitment of the universities, and 3) adequate funding.

REFERENCES

[1] De Concini, Dennis and Domenici, Pete, "Navajo Nation Hopes Private Investment Will Help Economy," Albuquerque Journal (July 16, 1987).

[2] Sorkin, Alan L., American Indians and Federal Aid, Washington, D. C.: The Brookings Institute (1971).

[3] Department of Higher Education, Division of Education, Navajo Tribal Government.

[4] Navajo Tribal Education Policies. The Navajo Nation (November 14, 1984).